

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 IO-14 ISO-00 DODE-00 AGRE-00 INT-05
ITC-01 AID-05 CIAE-00 COME-00 EB-08 FRB-01 INR-07
NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
L-03 H-02 PA-02 PRS-01 OES-07 FEA-01 /138 W
-----063476 032334Z /42

P R 031218Z AUG 77
FM AMEMBASSY ACCRA
TO SECSTATE WASHDC PRIORITY 9427
INFO AMEMBASSY ABIDJAN
AMEMBASSY ADDIS ABABA
AMEMBASSY COTONOU
AMEMBASSY DAKAR
AMEMBASSY FREETOWN
AMEMBASSY KINSHASA
AMEMBASSY LAGOS
AMEMBASSY LOME
AMEMBASSY LONDON
AMEMBASSY MONROVIA
AMEMBASSY NAIROBI
AMEMBASSY OUAGADOUGOU
AMEMBASSY PARIS
AMEMBASSY GENEVA
AMEMBASSY BRUSSELS

UNCLAS SECTION 1 OF 2 ACCRA 5904

USEEC, USOECD, USMTN
DEPT ALSO PASS DIA; LAGOS ALSO FOR AGATT

E.O. 11652: N/A
TAGS: EALR, ECON, GH
SUBJ: GHANA'S FY 77-78 BUDGET

REF: (A) ACCRA 5538 (NOTAL); (B) ACCRA 5638 (NOTAL),
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(C) ACCRA 5703 (NOTAL)
(D) 76 ACCRA 5657

1. SUMMARY: GOG BUDGET FOR FY BEGINNING JULY 1, 1977, CALLS
FOR (ALL IN CEDIS MILLION WITH PERCENTAGE CHANGE FROM FY-76 IN
PARENTHESES): REVENUE - 1,861 (71); RECURRENT EXPENDITURES-
1,803 (63); AND DEFICIT - 376 (MINUS 22). BUDGET DOCUMENT

CLAIMS INDUSTRIAL PRODUCTION INCREASED 3.8 PERCENT IN FY-76, BUT SAYS AGRICULTURAL SECTOR CONTINUED TO LAG. IT ESTIMATES THAT WHILE GROSS DOMESTIC PRODUCT (GDP) HAS AT BEST HELD STEADY AND MAY HAVE DECLINED, THE RATE OF INFLATION CONTINUES TO INCREASE. SYSTEM OF IMPORT DUTIES IS SIMPLIFIED AND EXPORT BONUSES ARE INCREASED. TAXES ON VEHICLES ARE REDUCED. PRICES OF PETROLEUM PRODUCTS REMAIN UNCHANGED. PERSONAL AND CORPORATE TAXES ARE REDUCED SOMEWHAT AND INCOME SURTAX IS ELIMINATED. EDUCATION SUBSIDIES ARE REDUCED SLIGHTLY WHILE TAXES ON BEER, CIGARETTES AND WHEAT SALT ARE BEING RAISED. COMMENTS FOLLOW SEPTEL. END SUMMARY.

2. GOG BUDGET ISSUED JULY 21, 1977 FOR FY 77 (BEGAN JULY 1), SUMMARY IN MILLION CEDIES (ONE DOLLAR EQUALS CEDIS 1.15) AND PERCENTS:

FY-76 FY-77 PCT CHANGE
(BUDGET NOT ACTUAL)

A. TAX REVENUES 954 1,733 81

NON-TAX REVENUE 130 128 MINUS 1

TOTAL CURRENT REVENUE 1084 1,861 71

B. RECURRENT EXPENDITURES
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NON-DEBT EXPENDITURES 887 1,397 57

PENSIONS, GRATUITIES
AND SOCIAL SECURITY 90 131 45

INTEREST ON INTERNAL
DEBT 113 259 129

INTEREST ON EXTERNAL
DEBT 14 16 14

TOTAL RECURRENT EXPEND 1104 1,803 63

C. BALANCE CURRENT ACCNT. MINUS 20 PLUS 58

D. CAPITAL EXPENDITURE
(ONLY FY-77 COLUMN)
(CHANGE IN BUDGET FORMAT
PRECLUDES COMPARISON
OF FY-77 AND FY-76
CAPITAL ITEMS)

DEVELOPMENT PROJECTS 480

REPAYMENT OF SHORT-TERM
INTERNAL DEBT 110

REPAYMENT OF MED-LONG
INTERNAL DEBT 42

REPAYMENT OF MED-LONG
TERM EXTERNAL DEBT 23

DIRECT INVESTMENT 50

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OTHER CAPITAL PAYMENTS
(ADVANCES) 20

LOANS 20

TOTAL CAPITAL EXPENDITURES 745

E. CAPITAL RECEIPTS

EXTERNAL LOANS 9

REPAYMENT OF ADVANCES 10

BORROWING FROM SOCIAL SECURITY 140

REFINANCING LOAN 152

TOTAL CAPITAL RECEIPTS 311

F. BALANCE CAPITAL ACCOUNT FY-77 MINUS 434

G. OVERALL BALANCE, FY-76, MINUS 484; FY-77, MINUS 376.

A. IMPORT LICENSE LEVY ABOLISHED AND EXISTING IMPORT
DUTY SYSTEM SCRAPPED IN FAVOR OF TWO RATE SYSTEM. ITEMS
WHICH HAD DUTY OF BELOW 60 PERCENT WILL NOW HAVE A 35 PER-
CENT DUTY, WHILE ITEMS WHICH HAD DUTY AT OR ABOVE 60
PERCENT NOW HAVE A 60 PERCENT DUTY. THIS CHANGE EFFECTED
TO INCREASE EFFECTIVE RATE OF DUTY COLLECTION WHICH DROPPED
TO 7.2 PERCENT IN FY-75. ALL DUTIES ON AGRICULTURAL MACHI-
NERY, FERTILIZERS, ANIMAL FEED, FISHING NETS AND MARINE
DIESEL ENGINES HAVE BEEN ABOLISHED. DUTY ON WHEAT INCREASED 250
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PERCENT.

B. PURCHASE TAX ON BOTH LOCALLY ASSEMBLED AND IMPORTED CARS HAS BEEN REDUCED, WITH REDUCTIONS FAVORING LOWER COST CARS. PURCHASE TAX ON IMPORTED COMMERCIAL VEHICLES REDUCED TO FLAT 10 PERCENT WHILE IT ABOLISHED FOR THOSE ASSEMBLED LOCALLY.

C. BEER TAX INCREASED 57 PERCENT, SALT TAX INCREASED 100 PERCENT, AND CIGARETTE TAX RAISED MODERATELY.

D. PETROLEUM TAXES AND PRICES ARE TO REMAIN UNCHANGED PENDING GOG STUDY OF ITS POLICY OF SUBSIDIZING GASOLINE PRICES.

E. TAX EXEMPT PERSONAL INCOME RAISED FROM CEDIS 648 P.A. TO CEDIS 960 P.A. TOP TAX RATE FOR PERSONAL INCOME REDUCED FROM 70 PERCENT ON ALL INCOME OVER CEDIS 10,728 TO 65 PERCENT OF ALL INCOME OVER CEDIS 11,040. TAX RATES ON PENSION INCOMES HAVE ALSO BEEN REDUCED SOMEWHAT.

F. CORPORATE INCOME TAX FOR MANUFACTURERS REDUCED FROM 55 PERCENT TO 50 PERCENT. TAX RATE FOR NON-MANUFACTURERS

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REDUCED FROM 65 PERCENT TO 60 PERCENT.

G. TAX ON FOREIGN EXCHANGE PURCHASED BY GHANAIS
GOING ABROAD FOR BUSINESS OR PLEASURE INCREASED FROM 10
PERCENT TO 30 PERCENT.

H. TAX ASSESSMENT FOR SMALL BUSINESSES INCREASED BETWEEN
100 PERCENT AND 400 PERCENT, DEPENDING ON BUSINESS CATEGORY.
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I. TAXES ON RENTAL INCOME RAISED SUBSTANTIALLY FOR MIDDLE
INCOME RANGE. FIRST CEDIS 2000 OF RENTAL INCOME NOW TAX-
FREE AND INCOME OVER 2000 NOW TAXED AT 65 PERCENT RATHER
THAN 70 PERCENT. COMPANIES FORMED EXCLUSIVELY FOR REAL
ESTATE DEVELOPMENT WILL PAY TAX RATE OF 60 PERCENT.

R. BUDGET DOCUMENT IS BOTH THINNER THAN LAST YEAR AND LESS
DETAILED. INTRODUCTION RECOUNTS GDP'S 1975 DECLINE AND SAYS
THAT WHILE VARIOUS GOG EFFORTS HAVE RESULTED IN A
3.6 PERCENT INCREASE IN INDUSTRIAL PRODUCTION, THE AGRI-
CULTURAL SECTOR CONTINUES TO LAG BECAUSE OF POOR WEATHER.
AS A RESULT, GOG ESTIMATES THAT GDP WILL AT BEST SHOW NO
GROWTH IN FY-76 AND MAY EVEN DECLINE AGAIN. MEANWHILE, RATE
OF INFLATION CONTINUES TO INCREASE. BUDGET DOCUMENT SAYS
GOG PLANS TO PREVENT RECURRENCE OF VERY HIGH LEVEL OF
MONETARY EXPANSION BY REDUCING RECOURSE TO CENTRAL BANK
FINANCING OF BUDGET, BUT GIVES NO TARGET GROWTH RATE.

5. NEW BUDGET BRIEFLY EXPLAINS GOG'S ECONOMIC POLICY
INITIATIVES WHICH WERE ANNOUNCED BEFORE THE BUDGET WAS RE-
LEASED. (SEE REFTELS A, B, C) THRUST OF EXPLANATION IS THAT
IMPORT AND EXPORT CONTROLS HAVE WORKED TO DETRIMENT OF
ECONOMY AND HENCE MUST BE ELIMINATED TO EXTENT PRACTICABLE.
BUDGET DOCUMENT LISTS FIRMS WHOSE IMPORTS WILL NO LONGER
BE CONTROLLED AND ANOTHER SET OF FIRMS WHOSE IMPORT QUOTAS

WILL BE ESTABLISHED THROUGH CONSULTATION WITH MINISTRY OF
FINANCE. EXPORT BONUSES HAVE BEEN INCREASED AND EXPANDED
(SEE REFTEL A). BUDGET DOCUMENT SAYS WHILE GOG ENCOURAGES
INVESTMENT AND GIVES CONCESSIONS TO SPUR IT, SOME CON-
CESSIONS ARE NOT NEEDED. EFFECTIVE JULY 1, 1977, ALL CON-
CESSIONS ON DUTIES PAID BY CONSUMERS, NOT, RPT NOT,
INVESTORS, ARE CANCELLED AND COMPANIES WILL BE EXPECTED
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TO COLLECT THEM FOR PAYMENT TO GOG. OTHER CONCESSIONS
ARE UNDER REVIEW.

6. AVAILABLE COPY OF BUDGET AIRPOUCHED DEPARTMENT
(AF/W) AUGUST 3. ADDITIONAL COPIES TO BE POUCHED
WASHINGTON AGENCIES ASAP.

7. COMMENTS FOLLOW SEPTTEL.
HOLMES

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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